Factors Affecting Asset Management in Malacca District

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http://dx.doi.org/10.18415/ijmmu.v7i2.1462

Abstract

This study aims to examine and analyze the effect of organizational structure, asset management information systems, leadership styles, quality of human resources and organizational culture on asset management in the Malacca District Government. This research uses quantitative research methods. All civil servants in the Malacca District are the population and 114 employees are selected as samples based on the purposive sampling method. The hypothesis testing in this study use the Structural Equation Model (SEM), Partial Least Square (PLS) software version 6.0. The results show that the Asset Management Information System (AMIS), Quality of Human Resources, and Organizational Culture have positive effect on asset management. Furthermore, organizational structure and leadership style variables do not affect asset management.

Keywords: Asset Management; Organizational Structure; Asset Management Information Systems; Leadership Style; Human Resources Quality; Organizational Culture

Introduction

Background

Malacca District is one of the new districts in East Nusa Tenggara which has had many problems related to assets in recent years. Problems that were found by Badan Pemeriksa Keuangan (BPK RI) or Indonesian Supreme Audit Institution related to assets in Malacca Regency always become a recommendation every time BPK publishes an Audit Report (AR). BPK's findings related to weaknesses in assets are significant internal control weaknesses in the process of administering and presenting Fixed Assets, that is, land assets under network sections and irrigation areas that have not been recorded. Besides, the Malacca District Government Officials have not been optimal in managing the Fixed Assets, that is, the overall inventory and the recording of fixed assets have not been carried out properly and are not yet equipped with value information, quantity and adequate location (Press Release, BPK NTT, 2018). These findings suggest that assets are the main problem that is faced by Malacca District Government. These findings also show a lack of performance in every Local Government Organization (LGO). The poor performance of each LGO is hampering the management of the assets of Malacca District Government in many aspects, one of which is public service. LGO as a responsible party for regional assets needs to improve its performance to be more effective in its implementation.
The Mckinsey 7S model is used as one of the solutions to fix the asset management problems. There are 7 variables in this model, namely strategy, structure, systems, style, human resources quality (staff and skills) and organizational culture (share values) (Alshaher, 2013). The Mckinsey 7S model is described as a collection of factors that are closely related to organizational change and helps organizations in identifying factors that play a role in improving the performance for achieving change (Pothiyadath, 2014). Structure in The Mckinsey 7S model in this study is the government organizational structure that functions to regulate the work system, and responsibilities in each government unit. The system here is the asset management information system (AMIS), then Style is more related to the leadership style of each LGO. Staff and Skills are united and focused on the quality of human resources in government and finally shared values that focus on organizational culture that is built.

The 6S McKinsey model of the 7S McKinsey model is used to analyze the factors that support the readiness of Local Governments to enhance management in asset management. The strategy factor in the McKinsey model is not used in this study on the grounds that 1) the implementation of Law Number 23 of 2014 is mandatory, so that the determination of the strategy is the determination of the vision, mission and objectives relating to the changes administered by the Central Government. This research is in the Regional Government whose job is as an asset manager, 2) Government Ordinance No. 22 of 2014. LGO is only limited to the authorities and responsibility towards the regional properties 3) Regulation of the Minister of Home Affairs No. 7 of 2017, also explained that LGO only acts as a user.

The selection of the Mckinsey 6S model as a solution to the problem of asset management in Malacca is also based on the inconsistent results of previous studies. For example, there are differences in the results of research related to organizational structure variable conducted by Gammahendra et al. (2014). They found that organizational structure affects organizational effectiveness. Maisaroh (2016) in her study found that organizational structure do not affect the readiness for implementation of regional asset transfer. Furthermore, from the Leadership Style factor, according to the research results by Tampubalon (2017), Chew and Sharma (2005), Savery (2001), Wilson (1995), leadership style factor make a relatively large contribution and very significant to the increase in employee performance in the organization. Different things were found by Suprayetno (2008) in his research. He found that leadership style has a negative effect on job satisfaction.

In addition, previous studies have not tested the six factors in the Mckinsey 6S model on asset management simultaneously but only focused on testing one independent variable. Thus, in this study, researchers want to test simultaneously the influence of The McKinsey 6s model namely the variable of structure, systems, style (leadership style), human resources quality (staff and skills) and organizational culture (share values) as the defining factors of asset management as the dependent variable in public sector organizations.

This research is necessary to determine the factors for escalating the asset management in order to be a reference for LGO to improve the condition of asset management in the Malacca District Government. Based on the description above, in order to make a comprehensive change in asset management in the Malacca District, researchers want to examine the "Factors Affecting Asset Management in the Malacca District".
Hypothesis Development

Organizational Structure Affects Asset Management

The McKinsey 7S model proposed by Peters and Waterman (1982) who define that structure is the basis of an organization that is influenced by factors of strategy, size and diversity. The structure referred here is the Organizational Structure that regulates the work system, communication, authority and responsibility as well as the delegation of tasks to specific work units or certain people to achieve organizational goals. Besides, based on the normative theory above, the empirical theory used is according to Pothiyadath (2014) with the research results of the structure bringing the organization to a change. Maisaroh (2016) found that a good structure directs the organization to good change. By taking into account on the above explanation, the first hypothesis in this study namely:

H1: Organizational Structure has a positive effect on asset management.

Asset Management Information Systems Affect Asset Management

The McKinsey 7S model defines that the system means all the procedures that support the strategy and structure. The system is also interpreted as a series of components that are bound in achieving organizational / group goals (Romney and Steinbart, 2014). The importance of the system in asset management is also illustrated in the results of research conducted by Arnold and Lawson (2004), ISO / IEC 15288 (2008), and Blanchard (2009) which show that the system in asset management has a strong influence on the asset acquisition phase that is able to provide great opportunities to control life cycle costs and life cycle performance or the effectiveness of an asset system. Information systems for managing local assets are considered important, in accordance with Regulation No.56 / 2005 concerning the Regional Financial Information Systems. Research result by Juliadi’s (2017) proves that the asset management information system has a positive and significant effect on the effectiveness of fixed asset management. It is also supported researches held by Azhar et al., (2013), Arlini et al., (2014), Rosihan et al., (2017), Mainar et al., (2017) and Azhar (2017). According to the above explanation, the hypothesis for this research is:

H2: Asset Management Information System has a positive effect on asset management.

Leadership Style Influences Asset Management

The style in McKinsey 7S model is the basis of values and determination possessed by the leaders of the organization (Pothiyadath, 2014). Various empirical studies have examined the relationship between leadership style with job satisfaction and organizational commitment, including: Lock and Crawford (2003); Ogbonna, (2000). Generally, the results of the studies show that leadership style significantly affects job satisfaction and organizational commitment. Simamora and Halim (2012) also concluded that management commitment is also needed in implementing problems related to regional assets. Hence, the fourth hypothesis of this study is:

H4: Leadership Style has a positive effect on asset management.

The Quality of Human Resources Affects the Asset Management

The McKinsey 7S model defines staff as human/activity carried out by human resource management to make the quality of HR compatible with organizational needs. The staff referred here is the government official that is needed by the regional government. Staff must meet qualifications based on the selection process, training and grading. Skill is a picture of the quality of someone to be able to contribute to organizational change (Waterman, Peters and Phillips, 1980). According to Tsang (2002), empowered employees, good teamwork, communication, education and training, reward and recognition,
and trust in management are all ingredients needed for effective asset management. Rosihan et al. (2017), Arlini et al. (2014), Juliadi (2017), and Ekayanti et al. (2018) found that personnel quality had a positive and significant effect on asset management. Therefore, the fifth hypotheses in this study is:
H5: HR quality has a positive effect on asset management.

Organizational Culture Influences Asset Management

Share values in the 7S McKinsey model are the main foundation in building organizations (Peters and Waterman, 1982). Share values are the main core of the McKinsey 7S Framework because they relate to the company's core values that become its culture. In research conducted by Bramasari, Ayu and Suprayetno (2008), Cooksey and Chae (2011), Ehtesham et al., (2011) show that organizational culture has a positive and significant influence on corporate performance variables. Thus, the hypothesis for this study is:
H5: Organizational Culture has a positive effect on asset management.

Research Methods

Population and Research Samples

The population in this study is all Pegawai Negeri Sipil / Aparatur Sipil Negara (PNS / ASN) or Civil Servants involved in managing assets in each LGO in the Malacca District Government. Purposive sampling is used for sample selection. Purposive sampling is defined as a way to choose samples based on criteria set by researchers (Sekaran, 2006: 137). LGO becomes the sample and its respondents are chosen based on the following criteria: (1) every head of Malacca District LGO, as a user of regional assets, minimum of 1 year tenure, (2) Head of Planning Subdivision / related Section Head, with a minimum of 1 year tenure and have experience in preparing Work Plan and Budget (WPB), (3) Head of Finance / related Section Head, with a minimum tenure of 1 year and have experience in preparing semester and annual good reports of LGO, (4) Staff/employees of asset storage and expenditure with a minimum 1 year tenure and understand the administration of regional goods and (5) The distribution of samples in each LGO is a maximum of 3 people in each department, agency and sub-district in Malacca Regency. Based on these considerations, 114 respondents are chosen to get questionnaires. Asset management variables are measured by indicators who were developed by Lisaliwiasti (2018), namely: 1) procedures (procurement of fixed assets, storage and distribution of provisions), 2) Recording of fixed assets (bookkeeping, inventory, reporting, utilization of provisions, maintenance of provisions, treasury demands and demands for compensation for provisions, changes in legal status). Organizational structure is measured by, 1) division of work, 2) Responsibility, 3) delegation of authority (Junaidi, 2010). The Asset Management Information System (AMIS) is measured by: 1) availability of SOPs, 2) availability of facilities, 3) completeness of data input, 4) ease of operation, 5) support and coordination, 6) reliability, 7) completeness of data output, 8) Accumulation of depreciation data, 9) Timeliness (Ekayanti et al., 2018). Leadership style is measured by using: 1) directive leadership, 2) supportive leadership, 3) participation leadership, 4) achievement-oriented leadership (Astryanty et al., 2018). The quality of human resources is measured by: 1) educational background, 2) experience, 3) knowledge, 4) skills, 5) respect for work, 6) training (Ekayanti et al, 2018). Then, organizational culture is measured by: 1) individual initiative, 2) direction, 3) integration, 4) management support, 5) control, 6) reward systems, 7) communication patterns (Pratiwi, 2012).
Research Results and Discussion

Testing the Measurement Model (Outer Model)
Testing the Validity of Formative Construct

The results show that all instrument indicators in the asset management construct have p-values below 0.05 and all indicators have a VIF value below 3.3 so it can be concluded that the asset management construct has fulfilled the convergent validity. In addition to test the convergent validity, formative constructs are also assessed with discriminant validity. Based on the test, it can be stated that the construct of asset management has fulfilled discriminant validity, because it has a p-value below the number of 0.05 (significance) and has an AVE value of 0.589.

Testing the Validity of Reflective Constructions

In testing the measurement model (outer model) in this study, researchers conducted the outer model testing for three times. Tests were carried out because of the value of the outer loading factor, namely the standard is met by several variables. Hence, researchers exclude these variables and did retest until the outer loading value and AVE are in accordance with the standards raised by Sholijin and Ratmono (2013: 75). Researchers conducted three tests of the measurement model (outer model) because there are variables and indicators with its outer loading factor values. Furthermore, after all indicators which do not meet the requirements are eliminated, the results of the outer loading factor relevance test show that all the unproblematic loading factors in the indicators of research such as organizational structure, asset management information systems, leadership style, quality of human resources, and organizational culture have values above 0.7. All indicators have p-values < 0.001 (<0.05) and have AVE values for each construct above 0.5. From total of 59 indicators, 35 indicators that do not meet the requirements are removed and the remaining are as many as 24 indicators that meet the requirements. Based on the test results it can be concluded that all indicators in the reflective construct have met the convergent validity test and all indicators are valid.

Reliability Test

A construct is said to be reliable if its composite reliability and cronbach alpha coefficient values are above 0.70 (Sholihin and Ratmono, 2013: 125). The results of testing this study indicate that all constructs have the values of composite reliability and Cronbach Alpha coefficients for above 0.70. Henceforth, it can be stated that all constructs in this study have fulfilled the reliability testing.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite reliability</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO</td>
<td>0.883</td>
<td>0.800</td>
</tr>
<tr>
<td>SIMA</td>
<td>0.867</td>
<td>0.796</td>
</tr>
<tr>
<td>GK</td>
<td>0.901</td>
<td>0.862</td>
</tr>
<tr>
<td>KSDM</td>
<td>0.918</td>
<td>0.881</td>
</tr>
<tr>
<td>BO</td>
<td>0.926</td>
<td>0.904</td>
</tr>
<tr>
<td>MA</td>
<td>0.837</td>
<td>0.762</td>
</tr>
</tbody>
</table>
Testing the Structure Model (Inner Model)

The results of testing the structural model (inner model) can be seen in the value of R Square ($R^2$) for exogenous constructs and path coefficient values for the endogenous constructs. The value of $R^2$ construct of asset management is 0.11. It explains that the construct of asset management can be explained by 11% through the characteristics of organizational structure, asset management information systems, leadership style, quality of human resources and organizational culture. Meanwhile, 89% is explained through constructs that are outside this research model. In addition to the $R^2$ value, predictive-relevance ($Q^2$) acts as a gauge of how well the observational value that is generated by the research model and its parameter estimation (Ghozali and Lantan, 2015: 78-81). $Q^2$ for the inner model in this study is 0.186 which means that this research has predictive relevance, because the value is greater than zero then it is feasible for hypothesis testing.

The equation of the research model in this study can be written as follows:

\[
\text{Asset Management (Y) : } 0.07X_1 + 0.18X_2 + 0.09X_3 + 0.17X_4 + 0.19X_5 + \varepsilon_1
\]

The Assessment of Goodness of Fit

Goodness of fit in PLS using warpPLS can be seen the rule of tomb proposed by Kock. (2013). Structural models are good if at least 1 criterion of the rule of tomb is met (Kock, 2013). Based on the results of the assessment of goodness of fit, it can be concluded that the assessment of every item of rule of tomb has fulfilled the cut-off. It means that the research model is good (fit) and can be used for testing the next stage.

Hypothesis Testing Results

Structural model test results are evaluated by using a significance test through bootstrapping on PLS by utilizing the path coefficient value. The results of hypothesis testing are presented in Table 2.

<table>
<thead>
<tr>
<th>H1</th>
<th>X1 ==&gt; Y</th>
<th>Path Coefficient</th>
<th>p-Value</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>(H1) X1 ==&gt; Y</td>
<td>0.07</td>
<td>0.24</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td>(H2) X2 ==&gt; Y</td>
<td>0.18</td>
<td>0.03</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>(H3) X3 ==&gt; Y</td>
<td>0.09</td>
<td>0.18</td>
<td>Rejected</td>
<td></td>
</tr>
<tr>
<td>(H4) X4 ==&gt; Y</td>
<td>0.17</td>
<td>0.04</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>(H5) X5 ==&gt; Y</td>
<td>0.19</td>
<td>0.02</td>
<td>Accepted</td>
<td></td>
</tr>
</tbody>
</table>

Based on the table it can be concluded that H2, H4 and H5 are accepted while H1 and H3 are rejected. The following session explains the hypothesis testing results of each research construct.
Discussion of Hypothesis Testing Results
The Effect of Organizational Structure on Asset Management

The first hypothesis reveals that organizational structure has a positive effect on asset management. However, the result in this study shows that the organizational structure has no effect on asset management. Organizational structure has no effect on asset management because each sub-section in the LGO does not help each other in maximizing the results of regional asset performance. Lack of coordination, especially in determining targets and policies related to the management of regional assets, is a factor that does not affect the organizational structure of asset management. Work related to asset management that is not completed on time is also an obstacle in the organizational structure so that the results of this study in organizational culture variables do not support the McKinsey 7S model. It is due to the tasks and time management of assets that are considered less important until the workload is not carried out as assigned. This study is in line with the study of Maisaroh (2016) who obtained the results of the study that the organizational structure does not affect the readiness of the implementation of regional asset transfer.

The Effect of Asset Management Information Systems on Asset Management

The second hypothesis in this study demonstrates that the asset management information system has a positive effect on asset management. The results of testing hypothesis two (H2) are accepted, thus it can be stated that the information system has a positive effect on asset management. Good asset management will be achieved if the asset management information system is effective and efficient. The achievement of asset management related to AMIS is based on the availability of SOPs that support the asset management process, adequate local government facilities in optimizing regional assets, the complete process on inputting the correct data, the correct output data, support and coordination of information systems for each LGO, the organized asset management information systems, the ease of recording and calculating depreciation of regional assets to the timely reporting of asset information systems to asset providers are factors affecting the asset management information system on asset management. The results of this study provide empirical evidence to support the McKinsey 7s model as described by Alshaher (2013), particularly in the Asset Management Information System variable. The results of this study are consistent with the research of Grubisic (2009), Siregar (2004), El-Akruti and Dwigh (2010), Ekayanti et al., (2018), Aslan (2014), Azhar et al. (2013), Arlini et al. (2014), Rosihan et al. (2017), Mainar et al. (2017), Azhar (2017), Juliadi (2017), and Haiderm (2011).

The Effect of Leadership Style on Asset Management

The results of this study justify and state that leadership has no effect on asset management. This gives the view that not all managerial activities have a positive influence on the wheels of the organization. Leaders who do not provide a description of the problems related to asset management to employees, leaders who have not been able to create a good work environment for government officials, leaders who are not able to provide rewards and punishments as performance stimulation for the achievement of workers can be the cause of why leadership styles does not affect the management asset. The results of the study is similar with the research result which conducted by Brahmasari and Suprayetno (2008). They found that leadership style had a negative and significant effect on satisfaction of employee performance. This study is also in line with the research held by Ayu and Suprayetno (2008) who found that leadership has a negative effect on job satisfaction. The results of this study are incompatible with the McKinsey 7S model specifically in the leadership style variable.
The Effect of Human Resources Quality on Asset Management

Asset management requires competencies that are appropriate to the task, including appropriate knowledge, skills, experience, behavior, attitudes, and traits (Hastings, 2010: 23). With the ability to refer to good quality of human resources, the asset management function will also be able to be executed well. Expertise enables human resources to have an important role for organizational change (Waterman, Peters and Phillips, 1980). Referring to the results of research and regulations above, the results of testing the hypothesis of the quality of human resources are stated to affect asset management. Asset management workers who have worked according to guidelines and technical guidelines on the management of regional property, especially fixed assets, workers experience in the field of asset management, as well as providing education and training related to asset management remain important factors for the quality of LGO’s human resources. This result certainly strengthens the McKinsey 7S model especially in the part of the quality of human resources who have a big role in the realization of good asset management. As outlined in the McKinsey 7S model (Peters and Waterman, 1982) the quality of human resources in this case is related to the skills and staff is related to how the employee is selected, recruited, trained, motivated and valued. The same results were shown by the studies of Ekayanti et al., (2018), Lase (2012), Jamaludin (2013), Rosihan et al., (2017), Arlini et al., (2014), Simamora and Halim (2012) and Hamida and Syofyan (2014).

The Effect of Organizational Culture on Asset Management

Hypothesis five (H5) states that organizational culture has a positive effect on asset management. The result of this study provides the evidence that organizational culture has a positive and significant effect on asset management, meaning that the better the organizational culture, the better the performance of the workers related to asset management in LGO of Malacca District. This organizational culture includes, providing the broadest opportunities for employees to take the initiative to review and complete the work by themselves according to the views of the workers and regulations, there is an internal assessment and supervision of the workers while working, as well as getting support to participate in training on asset management. Organizational culture can be in the form of the increasing income (salary and benefits) based on work performance even through communication between workers and good leaders. The results of this study support the enactment of the McKinsey 7S model (Peters and Waterman, 1982) which states that organizational culture positively influences good organizational change. These results also reinforce the opinion about the necessity of a valid measure in organizational culture in order to be able to generate performance satisfaction as expressed by Marcoulides and Heck (1993). The results of this study bolster the study of Eisenhardt and Santos (2000), Kaplan et al., (2001), Kogut (2000) and Nonaka (1994) Lumbanraja (2008), Warni (2014), Lok and Crawford (2001,2002) and Ting (1997).

Conclusion

The results of this study indicate that the organizational structure has no effect on asset management. Organizational structure has no effect on asset management because each sub-section in the LGO does not help each other in maximizing the results of regional asset performance. The Asset Management Information System (AMIS) also has a positive effect on asset management. The achievement of asset management related to AMIS is based on the availability of SOPs that support the asset management process, adequate local government facilities in optimizing regional assets, and calculating the depreciation of regional assets to the asset information system reports to asset providers timely become the factors affecting the asset management information system towards asset management.
The quality of human resources has also become an important factor in asset management. Asset management workers who have worked according to guidelines and technical guidelines on the management of regional property, especially fixed assets, workers experience in the field of asset management, as well as providing education and training related to asset management remain important factors for the quality of LGO’s human resources. Organizational culture is an important concept in asset management to assess the suitability of organizational goals, strategies, tasks, and the resulting impact on asset management. The intended organizational culture includes, providing the widest opportunity for employees to take the initiative to review and complete the work themselves according to the views of the workers and regulations. There are internal assessments and supervision as well as training on asset management. The results of this study also show that leadership style has no effect on asset management. Leadership style with a leader who does not explain the problem of asset management to employees, and does not include the workers in making decisions can be a cause for a worker to have a positive impact on job satisfaction, but on the other hand it has not accommodated employees at their maximum performance that is capable to overcome the organizational goals specifically the asset management goals to be achieved.

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